

**REVENUE DEPARTMENT[701]****Adopted and Filed Emergency****Rule making related to permits, filing returns, and payments of sales and use taxes**

The Revenue Department hereby rescinds Chapter 12, “Filing Returns, Payment of Tax, Penalty and Interest,” Chapter 13, “Permits,” Chapter 28, “Definitions,” Chapter 29, “Certificates,” and Chapter 30, “Filing Returns, Payment of Tax, Penalty, and Interest”; amends Chapter 42, “Adjustments to Computed Tax and Tax Credits,” Chapter 52, “Filing Returns, Payment of Tax, Penalty and Interest, and Tax Credits,” Chapter 67, “Administration,” Chapter 81, “Administration,” Chapter 97, “State-Imposed Water Service Excise Tax,” and Chapter 103, “State-Imposed and Locally Imposed Hotel and Motel Taxes”; adopts new Chapter 201, “Sales and Use Tax Permits,” and Chapter 202, “Filing Returns and Payment of Tax”; amends Chapter 215, “Remote Sales and Marketplace Sales”; and adopts new Chapter 258, “Refunds for Eligible Businesses Under Economic Development Authority Programs,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is adopted under the authority provided in Iowa Code section 421.14 and 2022 Iowa Acts, Senate File 2367.

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code chapter 423.

*Purpose and Summary*

Pursuant to 2022 Iowa Acts, Senate File 2367, the Iowa Department of Revenue is replacing its existing chapters of rules related to permits, filing returns, and payments of sales and use taxes in this rule making. Overall, new Chapters 201 and 202 are modeled on current Chapters 13 and 12, respectively, but there are a few notable updates and additions.

The Department will no longer refer to different use tax obligations as “consumer’s use tax” and “retailer’s use tax”; those terms are being replaced by references to “purchases subject to use tax” and “sales subject to use tax,” respectively. This change will be reflected on the revised sales and use tax return, available for tax periods starting on or after July 1, 2022, and will be incorporated into the Department’s informal guidance.

New subrule 201.1(4) establishes a threshold by which the Department expects a taxpayer to obtain a permit to remit use tax instead of filing the nonpermit use tax return. Subrule 201.2(3) reflects current practice related to retroactive or backdated permits and filing and payment obligations for those prior tax periods. Subrule 201.2(5) reflects current practice regarding seasonal permits and adjusts the amount of tax periods in which a taxpayer may file as a seasonal filer to reflect the change from quarterly to monthly tax periods. Rules 701—201.4(423) and 701—201.6(423) relating to reinstatement of canceled permits and changes of locations are updated from their predecessors in Chapter 13 to reflect current practice.

Rule 701—202.1(423) implements the return filing and tax payment frequency changes from 2022 Iowa Acts, Senate File 2367. Rule 701—202.2(423) explains how a taxpayer should complete the new combined sales and use tax return to accurately report which tax type is being reported. Rule 701—202.3(423) establishes proper methods for remitting tax based on filing frequency. Citations in new rule 701—202.4(423) lead to an Iowa Code section that is enacted by 2022 Iowa Acts, House File 2552, which is not yet codified in the online Iowa Code. Subrule 202.5(3) requires a taxpayer filing a consolidated sales tax schedule to file that return electronically. Subrule 202.11(4) reflects current practice regarding refund claims for use tax.

Rather than retain a rule in a chapter about filing returns, the Department is moving rule 701—12.19(15) related to refunds for businesses approved for various Iowa Economic Development Authority programs into its own new Chapter 258. Rule 701—97.8(423G) related to filing frequency for water service excise tax is updated to reflect the changes made in Senate File 2367. The remaining items update related cross-references.

*Reason for Adoption of Rule Making Without  
Prior Notice and Opportunity for Public Participation*

Pursuant to Iowa Code section 17A.4(3), the Department finds that notice and public participation are unnecessary or impractical because statute so provides. Sections 38 and 39 of 2022 Iowa Acts, Senate File 2367, provide session law authority to adopt these rules on an emergency basis immediately upon enactment of the bill.

*Reason for Waiver of Normal Effective Date*

Pursuant to Iowa Code section 17A.5(2)“b”(1)(a), the Department also finds that the normal effective date of this rule making, 35 days after publication, should be waived and the rule making made effective on July 1, 2022, because 2022 Iowa Acts, Senate File 2367, sections 38 and 39, provide session law authority to adopt these rules on an emergency basis immediately upon enactment of the bill.

*Adoption of Rule Making*

This rule making was adopted by the Department on June 17, 2022.

*Fiscal Impact*

This rule making has no fiscal impact to the State of Iowa.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any, pursuant to rule 701—7.28(17A).

*Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee’s meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

*Effective Date*

This rule making became effective on July 1, 2022.

The following rule-making actions are adopted:

ITEM 1. Rescind and reserve **701—Chapter 12.**

ITEM 2. Rescind and reserve **701—Chapter 13.**

ITEM 3. Rescind and reserve **701—Chapter 28.**

ITEM 4. Rescind and reserve **701—Chapter 29.**

ITEM 5. Rescind and reserve **701—Chapter 30.**

ITEM 6. Amend paragraph **42.53(2)“a”** as follows:

a. *Sales tax refund.* A housing business may claim a refund of the sales and use tax described in rule ~~701—12.19(15)~~ 701—258.1(15).

ITEM 7. Amend paragraph **52.46(2)“a”** as follows:

a. *Sales tax refund.* A housing business may claim a refund of the sales and use tax described in rule ~~701—12.19(15)~~ 701—258.1(15).

ITEM 8. Amend subrule 67.23(3) as follows:

**67.23(3) Denial of a license.** The department may deny a license to any applicant who is, at the time of application, substantially delinquent in paying any tax due which is administered by the department or the interest or penalty on the tax and will deny a permit of an individual if the department has received a certificate of noncompliance from the child support recovery unit in regard to an individual. If the applicant is a partnership, a license may be denied if a partner is substantially delinquent in paying any tax, penalty, or interest regardless of whether the tax is in any way a liability of or associated with the partnership. If an applicant for a license is a corporation, the department may deny the applicant a license if any officer with a substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax, penalty, or interest of the applicant corporation. ~~See rule 701—13.16(422) for~~ Rule 701—201.10(423) contains a characterization of the terms “tax administered by the department” and “substantially delinquent” in paying a tax. ~~If the application for a license is denied, see rule 701—7.23(17A) for~~ Rule 701—7.9(17A) contains information about rights to appeal denial of an application for a license.

ITEM 9. Amend subrule 67.23(4) as follows:

**67.23(4) Revocation of a license.** The department may revoke the license of any licensee who becomes substantially delinquent in paying any tax which is administered by the department or the interest or penalty on the tax and will revoke a license of an individual if the department has received a certificate of noncompliance from the child support recovery unit in regard to an individual. If a licensee is a corporation, the department may revoke the license if any officer with a substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax, penalty, or interest of the applicant corporation. If the licensee is a partnership, the license may not be revoked for a partner’s substantial delinquency in paying any tax, penalty, or interest which is not a liability of the partnership. ~~See rule 701—13.16(422) for~~ Rule 701—201.10(423) contains characterizations of the terms “tax administered by the department” and “substantially delinquent” in paying a tax. The department may also revoke the license of any licensee who abuses the privileges for which the license was issued, who files a false return, or who fails to file a return (including supporting schedules), pay the full amount of tax due, produce records requested, or extend cooperation to the department. ~~See rule 701—7.55(17A) for~~ Rule 701—7.9(17A) contains more information about rights to appeal.

ITEM 10. Amend subrule 81.13(2) as follows:

**81.13(2) Denial of application for permit.** The department may deny a permit to any applicant who is, at the time of application, substantially delinquent in paying any tax due which is administered by the department or the interest or penalty on the tax. If the applicant is a partnership, a permit may be denied if a partner is substantially delinquent in paying any tax, penalty, or interest regardless of whether the tax is in any way a liability of or associated with the partnership. If an applicant for a permit is a corporation, the department may deny the applicant a permit if any officer, with a substantial legal or equitable interest in the ownership of the corporation, owes any delinquent tax, penalty, or interest of the applicant corporation. In this latter instance, the corporation must, initially, owe the delinquent tax,

penalty, or interest, and the officer must be personally and secondarily liable for the tax. This is in contrast to the situation regarding a partnership. See rule 701—13.16(422) for Rule 701—201.10(423) contains characterizations of the terms “tax administered by the department” and “substantially delinquent” in paying a tax. This subrule is applicable to tax, interest, and penalty due and payable on and after January 1, 1987.

The director will deny a permit to any applicant, who is an individual, if the department has received a certificate of noncompliance from the child support recovery unit in regard to the individual, unless the unit furnishes the department with a withdrawal of the certificate of noncompliance.

ITEM 11. Amend subrule 81.13(3) as follows:

**81.13(3) *Revocation of a permit.*** The department may revoke the permit of any permit holder who becomes substantially delinquent in paying any tax which is administered by the department or the interest or penalty on the tax. If the permit holder is a corporation, the department may revoke the permit if any officer, with a substantial legal or equitable interest in the ownership of the corporation, owes any delinquent tax, penalty, or interest of the applicant corporation. In this latter instance, the corporation must, initially, owe the delinquent tax, penalty, or interest, and the officer must be personally and secondarily liable for the tax. If the permit holder is a partnership, a permit cannot be revoked for a partner’s substantial delinquency in paying any tax, penalty, or interest which is not a liability of the partnership. See rule 701—13.16(422) for Rule 701—201.10(423) contains characterizations of the terms “tax administered by the department” and “substantially delinquent” in paying a tax. This subrule is applicable to tax, interest, and penalty due and payable on and after January 1, 1987.

The department will revoke the permit of any permit holder, who is an individual, if the department has received a certificate of noncompliance from the child support recovery unit in regard to the individual, unless the unit furnishes the department with a withdrawal of the certificate of noncompliance.

ITEM 12. Amend rule 701—97.8(423G) as follows:

**701—97.8(423G) Filing returns; payment of tax; penalty and interest.**

**97.8(1) *Application of 701—Chapter 12 701—Chapter 202.*** The requirements of 701—Chapter 12 701—Chapter 202 shall apply to water utilities in the same manner that those requirements apply to all sellers and retailers making sales subject to state sales tax.

**97.8(2) *Frequency of deposit return filing and payment of tax based on combined water service excise tax and sales and use tax.*** With respect to the tax thresholds used for determining whether a retailer must file a return and remit sales and use tax ~~semimonthly~~, monthly, quarterly, or annually, as described in rule 701—12.13(422) 701—202.1(423), the threshold for determining how frequently a water utility must file a return and remit the water service excise tax shall be based on the sum of the total amount of sales and use tax collected and the total amount of water service excise tax collected.

**EXAMPLE:** Prior to the imposition of the water service excise tax, a water utility collected \$70,000 in sales tax per year. Pursuant to 701—subrule 12.13(2), the water utility filed its sales tax deposits with the department on a semimonthly basis. Following the imposition of the water service excise tax, the water utility now collects \$35,000 in sales tax per year and \$35,000 in water service excise tax per year. The combined sum of the water utility’s monthly collected sales tax and water service excise tax is \$70,000. Therefore, the water utility will continue to make semimonthly deposits.

This rule is intended to implement Iowa Code section 423G.5.

ITEM 13. Amend subrule 97.9(1) as follows:

**97.9(1) *Application of 701—Chapter 13 701—Chapter 201.*** The requirements of 701—Chapter 13 701—Chapter 201 shall apply to water utilities in the same manner that those requirements apply to all sellers and retailers making sales subject to state sales tax.

ITEM 14. Amend subrule 103.4(1) as follows:

**103.4(1) *Incorporation of 701—Chapter 12 701—Chapter 202.*** Except as otherwise stated in this chapter, the requirements of 701—Chapter 12 701—Chapter 202 shall apply to retailers required to

collect hotel and motel tax in the same manner that those requirements apply to all sellers and retailers making sales subject to state sales tax.

ITEM 15. Amend subrule 103.5(1) as follows:

**103.5(1)** *Incorporation of 701—Chapter 13 701—Chapter 201.* Except as otherwise stated in this chapter, the requirements of ~~701—Chapter 13~~ 701—Chapter 201 shall apply to retailers required to collect hotel and motel tax in the same manner that those requirements apply to all sellers and retailers making sales subject to state sales tax.

ITEM 16. Adopt the following new 701—Chapter 201:

CHAPTER 201  
SALES AND USE TAX PERMITS

**701—201.1(423) Permit required.**

**201.1(1)** *Sales subject to sales tax.* A person shall not make taxable sales of tangible personal property, specified digital products, or services until the person has received a permit from the department. There is no charge for a sales and use tax permit. If a person makes retail sales from more than one location, each location from which taxable sales of tangible personal property, specified digital products, or services will occur shall be required to hold a permit.

**201.1(2)** *Purchases subject to use tax.* A person purchasing tangible personal property, specified digital products, or taxable services from an out-of-state source for use in Iowa subject to the use tax law shall be liable for the payment of use tax. The person shall be required to file a sales and use tax return with the department, reporting and remitting use tax on all property or taxable service purchased for use in Iowa during the tax period covered by the return, unless the seller from whom the purchase is made is registered with the department and has collected sales or use tax on the purchase.

**201.1(3)** *Sales subject to use tax.* An out-of-state person making sales into Iowa or sales of tangible personal property, specified digital products, or taxable services without meeting or exceeding the sales threshold as defined in rule 701—215.1(423) may register for a sales and use tax permit to collect use tax on such sales. The person collecting use tax on these sales shall report these sales as sales subject to use tax on the sales and use tax return. Rule 701—215.6(423) contains additional information about sales tax collection obligations for out-of-state persons.

**201.1(4)** *Infrequent purchases.* A person who does not regularly make purchases subject to use tax but needs to remit tax may use the Iowa nonpermit use tax return. If a person owes less than \$1,200 per year in use tax, the person does not need to obtain a permit and may file the Iowa nonpermit use tax return.

This rule is intended to implement Iowa Code section 423.36.

**701—201.2(423) Application for permit.**

**201.2(1)** *Permit application.* An application for a sales and use tax permit shall be made upon a form provided by the department, and the applicant shall furnish all information requested on such form. An application for a permit for a business operating under a trade name shall state the trade name, as well as the individual owner's name, in the case of a sole ownership by an individual, or the trade name and the name of all partners in the case of a partnership. The application shall state the date when the applicant will begin selling tangible personal property, specified digital products, or taxable services at retail in Iowa from the location for which the application is made.

**201.2(2)** *Signatures required.*

*a. Paper applications.* The application shall be signed by the owner, in the case of an individual business; by a partner, in the case of a partnership, although all partners' names shall appear on the application; and by the president, vice president, treasurer or other principal officer, in the case of a corporation or association, unless written authorization is given by the officers for another person to sign the application.

*b. Electronic applications.* For electronically transmitted applications, the application form shall state that in lieu of a person's handwritten signature, an email address will constitute a valid signature.

**201.2(3) Retroactive permits and returns for prior periods.** A person may indicate on a permit application that the effective date of the permit is in a prior tax period. Returns must be filed for all prior tax periods dating back to the effective date of the permit. Penalty and interest may apply and be imposed by the department for returns filed for those prior tax periods. 701—Chapter 10 contains more information about penalties and interest. Submission of a retroactive permit application makes a person ineligible for a voluntary disclosure agreement for those prior tax periods. 701—Chapter 3 contains more information about the voluntary disclosure program.

**201.2(4) Address only required for retail sales locations.** If a person is subject to sales tax and has physical presence or economic presence and is not making sales exclusively through a marketplace facilitator, the person shall provide a location for its sales and use tax permit.

**201.2(5) Seasonal filers.** A seasonal business retailer with sales in up to four months during the calendar year may register to file a return and remit tax as a seasonal filer. The retailer will be expected to only file returns for the specific months in which the retailer conducts business as indicated by the retailer upon registration. The retailer will not be expected to file a return or remit tax for the other months of the year. Like any other retailer, the seasonal retailer must still notify the department when it ceases operation permanently; if it does not, it will receive a nonfiler notice from the department.

EXAMPLE: Retailer A plans to start selling Christmas trees annually starting in 2022. Retailer A only plans to sell trees in November and December each year. Retailer A may request to be designated as a seasonal filer such that it only is required to file returns for November and December each year. Retailer A fails to file a sales and use tax return for November 2029. Retailer A will receive a notice from the department even if Retailer A stopped selling trees after 2028.

This rule is intended to implement Iowa Code section 423.36.

**701—201.3(423) Retailers selling nontaxable goods and services.** Persons regularly engaged in selling tangible personal property or a specified digital product which is exempt from tax, making nontaxable transactions, or performing a service which is not enumerated in Iowa Code section 423.2 shall not be required to obtain a sales tax permit. However, if the retailer makes taxable sales or provides taxable services, the retailer will be required to hold a permit under the provisions of this chapter and Iowa Code section 423.36.

This rule is intended to implement Iowa Code section 423.36.

**701—201.4(423) Reinstatement of canceled permit.** A person who previously held and canceled a permit who wishes to reengage in business shall apply to the department for a new permit and file any previously unfiled tax returns. Upon receipt of the proper clearance for previous tax returns, a new permit shall be issued.

This rule is intended to implement Iowa Code section 423.36.

**701—201.5(423) Permit not transferable—sale of business.** Permits shall not be transferable. The owner of a business holding a permit that sells the business shall cancel the permit, and the purchaser of the business shall apply for a new permit in the purchaser's own name.

This rule is intended to implement Iowa Code section 423.36.

**701—201.6(423) Change of location.** A business changing its location shall cancel its original permit and apply for a new permit.

This rule is intended to implement Iowa Code section 423.36.

**701—201.7(423) Change of ownership.** A retailer changing its business entity shall apply for a new permit under the name of the new entity. This includes but is not limited to such entity changes as proprietorship to partnership, partnership to corporation, or any combination thereof.

This rule is intended to implement Iowa Code section 423.36.

**701—201.8(423) Change of legal or operating name of a business.**

**201.8(1) *Change to legal name.*** A retailer changing its legal name but maintaining its ownership may continue to use its existing sales and use tax permit. The retailer shall notify the department of the change in legal name and shall provide legal documentation proving the change in name before the department will change the legal name for the permit.

**201.8(2) *Change to operating name.*** A retailer changing its operating, or “doing business as,” name may continue using its existing sales and use tax permit. The retailer shall notify the department of the change in operating name. No documentation is required for the department to update the operating name associated with the permit.

This rule is intended to implement Iowa Code section 423.36.

**701—201.9(423) Trustees, receivers, executors and administrators.** By virtue of their appointment, trustees, receivers, executors and administrators who continue to operate, manage or control a business involving the sale of tangible personal property, specified digital products, or taxable services or engage in liquidating the assets of a business by means of sales made in the usual course of trade shall collect and remit tax on inventory and noninventory items. A permit of a ward, decedent, cestui que trust, bankrupt, assignor or debtor for whom a receiver has been appointed, which is valid at the time a fiduciary relation is created, shall continue to be a valid permit for the fiduciary to continue the business for a reasonable time or to close out the business for the purpose of settling an estate or terminating or liquidating a trust.

This rule is intended to implement Iowa Code section 423.36.

**701—201.10(423) Substantially delinquent tax—denial of permit.**

**201.10(1) *Substantial delinquency of tax.***

*a. Applicant identity.* The department may deny a permit to any applicant who is, at the time of application, substantially delinquent in paying any tax due which is administered by the department or the interest or penalty on the tax. If the applicant is a partnership, a permit may be denied if a partner is substantially delinquent in paying any tax, penalty, or interest regardless of whether the tax is in any way a liability of or associated with the partnership. If an applicant for a permit is a corporation, the department may deny the applicant a permit if any officer with a substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax, penalty, or interest of the applicant corporation. In this latter instance, the corporation must initially owe the delinquent tax, penalty, or interest and the officer must be personally and secondarily liable for the tax. This is in contrast to the situation regarding a partnership.

*b. Tax administered by the department.* The local option sales tax is a tax administered by the department. Local vehicle; property, whether imposed on centrally assessed property or not; beer and liquor; and insurance premium taxes are nonexclusive examples of taxes which are not administered by the department.

**201.10(2) *Substantial delinquency factors.*** The amount of tax delinquent, the number of filing periods for which a tax remains due and unpaid, and the length of time a tax has been unpaid are the principal, but nonexclusive circumstances, that the department will use to determine whether an applicant is substantially or insubstantially delinquent in paying a tax. The department may deny a permit for substantial delinquency. Nonexclusive factors that the department will consider in determining whether substantial delinquency will or will not result in the denial of an application for a permit are the following: whether the delinquency was inadvertent, negligent, or intentional; the amount of tax, interest, or penalty owed in relation to the applicant’s total financial resources; and whether the applicant’s business is likely to survive over the long term if a license or permit is granted.

**201.10(3) *Child support noncompliance.*** The department will deny a permit to any applicant, who is an individual, if the department has received a certificate of noncompliance from the child support recovery unit in regard to the individual, until the unit furnishes the department with a withdrawal of the certificate of noncompliance.

This rule is intended to implement Iowa Code section 423.36.

**701—201.11(423) Substantially delinquent tax—revocation of permit.**

**201.11(1) *Substantial delinquency of tax.*** The department may revoke a permit if the permit holder has become substantially delinquent in paying any tax which is administered by the department or the interest or penalty on the tax. If the person holding a permit is a corporation, the department may revoke the permit if any officer with a substantial legal or equitable interest in the ownership of the corporation owes any delinquent tax, penalty, or interest of the permit-holding corporation. In this latter instance, the corporation must initially owe the delinquent tax, penalty, or interest and the officer must be personally and secondarily liable for the tax. If the permit holder is a partnership, a permit cannot be revoked for a partner's failure to pay a tax which is not a liability of the partnership. This is in contrast to the situation regarding an application for a permit. Rule 701—201.10(423) contains characterizations of the terms "tax administered by the department" and "substantially delinquent" and a description of some of the factors that the department will use in determining whether substantial delinquency will or will not result in the revocation of a permit.

**201.11(2) *Child support noncompliance.*** A revoked permit will not be reinstated if the department has received a certificate of noncompliance from the child support recovery unit in regard to the permit holder who is an individual requesting reinstatement, until the unit furnishes the department with a withdrawal of the certificate of noncompliance.

This rule is intended to implement Iowa Code section 423.36.

**701—201.12(423) Reinstatement of revoked permit.**

**201.12(1)** A revoked permit shall be reinstated only on such terms and conditions as the case may warrant. Terms and conditions include payment of any tax liability that may be due to the department. Rule 701—201.11(423) includes a description of the circumstances under which nonpayment of taxes may lead to revocation of a permit.

**201.12(2)** Pursuant to the director's statutory authority in Iowa Code section 423.36(6) to restore licenses after a revocation, the director has determined that upon the initial revocation of a sales and use tax permit, the permit holder will be required to pay all delinquent sales tax liabilities, to file returns, and to post a bond and to refrain from taxable occurrences under Iowa Code section 423.2 as required by the director prior to the reinstatement or issuance of a new sales tax permit.

**201.12(3)** As set forth above, the director may impose a waiting period during which the permit holder must refrain from taxable occurrences pursuant to the penalties of Iowa Code section 423.40, not to exceed 90 days, to restore a permit or issue a new permit after a revocation. The department may require a sworn affidavit, subject to the penalties of perjury, stating that the permit holder has fulfilled all requirements of said order of revocation, and stating the dates on which the permit holder refrained from taxable occurrences.

**201.12(4)** Each of the following situations will be considered one offense, for the purpose of determining the waiting period to reinstate a revoked permit or issue a new permit after a revocation unless otherwise noted.

- a. Failure to post a bond as required.
- b. Failure to file a return timely.
- c. Failure to pay tax timely (including dishonored checks, failure to pay, and late payments).
- d. Failure to file a return and pay tax shown on the return timely (counts as two offenses).

**201.12(5)** The administrative law judge or director of revenue may order a waiting period after the revocation not to exceed:

- a. Five days for one through five offenses.
- b. Seven days for six through seven offenses.
- c. Ten days for eight through nine offenses.
- d. Thirty days for ten offenses or more.

**201.12(6)** The administrative law judge or director of revenue may order a waiting period not to exceed:

- a. Forty-five days if the second revocation occurs within 24 months of the first revocation.
- b. Sixty days if the second revocation occurs within 18 months of the first revocation.



- c. Ninety days if the second revocation occurs within 12 months of the first revocation.
- d. Ninety days if the third revocation occurs within 36 months of the second revocation.

**201.12(7)** A revoked permit will not be reinstated if the department has received a certificate of noncompliance from the child support recovery unit in regard to the permit holder, who is an individual requesting reinstatement, until the unit furnishes the department with a withdrawal of the certificate of noncompliance.

This rule is intended to implement Iowa Code sections 423.2, 423.36, and 423.40.

**701—201.13(423) Withdrawal of permit.** After investigation, the department will withdraw a permit under the following conditions:

**201.13(1)** Upon a determination that the permit holder cannot be located in the state of Iowa and upon failure to obtain service of an order to appear and show cause, after sending the notice by registered certified mail or an attempt to personally serve the notice of the order.

**201.13(2)** Upon a determination that the permit holder cannot be located in the state of Iowa and upon a determination by the department that a business has been terminated or abandoned by the permit holder, without a request for cancellation signed by the permit holder.

**201.13(3)** The permit holder has become incapacitated or unable to respond or is deceased and has no duly appointed trustee, guardian or individual holding a power of attorney, executor or administrator. The withdrawal shall not constitute a revocation of said license, nor shall any penalties imposed for revocation be applicable. A permit so withdrawn shall be reissued in its prior status at such time as any affected permit holder so requests. The proceedings for withdrawal will be in conformity with Iowa Code section 17A.18.

This rule is intended to implement Iowa Code section 17A.18.

ITEM 17. Adopt the following new 701—Chapter 202:

CHAPTER 202  
FILING RETURNS AND PAYMENT OF TAX

**701—202.1(423) Sales and use tax return filing.**

**202.1(1)** *In general.* A retailer owing \$1,200 or more in sales or use tax per calendar year shall file a sales and use tax return once per month. This monthly return is due on or before the last day of the month following the end of the month in which the tax was collected. A retailer owing less than \$1,200 in sales or use tax per calendar year shall file a sales and use tax return at least once per annual year, due on or before January 31 for the prior calendar year. A retailer otherwise expected to file a return annually may file a return on a monthly basis if the retailer prefers to do so. Every return shall be signed and dated.

**202.1(2)** *New retailers.* A retailer who has never held an Iowa sales or use tax permit and has never collected or accrued sales or use tax in Iowa shall indicate at the time the retailer registers for its permit whether it expects to file a return monthly or annually.

**202.1(3)** *Changes to filing frequency.* A retailer registered to file an annual sales and use tax return should update its return filing frequency as needed. The department may adjust a retailer's filing frequency if the retailer has remitted \$1,200 or more in its first year of operation in Iowa and the department has notified the retailer that it meets or exceeds the filing threshold.

**202.1(4)** *Calculating the \$1,200 filing frequency threshold.* The threshold for determining whether a retailer should file a monthly or an annual sales and use tax return shall be calculated by adding sales and use taxes due in a calendar year. Other excise taxes should not be included in the calculation, even though they may be reported on the sales and use tax return.

**202.1(5)** *Electronic filing requirement and exception.* Retailers required to file a monthly sales and use tax return shall file the return through GovConnectIowa. A retailer who is unable to file a return electronically may request permission from the director to file a paper return. A retailer requesting such permission shall provide proof of its inability to file electronically.

**202.1(6) Simplified electronic return due date.** A retailer registered to collect Iowa tax through the Streamlined Sales Tax Registration System shall file a simplified electronic return on or before the twentieth day of each month following the end of the month in which the tax was collected. Any other retailer using the simplified electronic return shall file the return on or before the last day of the month following the end of the month in which the tax was collected.

This rule is intended to implement Iowa Code section 423.31.

**701—202.2(423) Reporting sales or use taxes.** A taxpayer with a reporting obligation for either sales tax or use tax but not both shall indicate on the sales and use tax return that it has no tax to report for the appropriate tax type. A taxpayer does this by making the appropriate indication on an electronic return or by entering a zero on the taxable amount line in the tax section of a paper return for which the taxpayer does not have tax to report. A taxpayer who fails to do so will be treated as not reporting for that tax type.

EXAMPLE: Retailer B holds a sales and use tax permit and files a monthly return. Retailer B does not owe any use tax for the July 2023 tax period. After entering information related to sales tax liability for the period, Retailer B must affirmatively state it has no use tax to report in the use tax section of its electronic return for the July 2023 tax period.

This rule is intended to implement Iowa Code section 423.31.

**701—202.3(423) Sales and use tax remittance.** Sales or use tax owed by a retailer shall accompany the sales and use tax return for the period in which the tax became due. Retailers filing a monthly sales and use tax return electronically shall remit tax electronically. Retailers filing a paper return may remit tax by mail, payable to the Iowa Department of Revenue. Remittances transmitted electronically are considered to have been made on the date the remittance is completed in GovConnectIowa.

This rule is intended to implement Iowa Code section 423.31.

**701—202.4(423) Due dates, weekends, and holidays.** Due dates that fall on a Saturday, Sunday, or holiday shall be treated in accordance with Iowa Code section 421.9A. Iowa Code section 421.9A contains a definition of “holiday.”

This rule is intended to implement Iowa Code section 421.9A.

**701—202.5(423) Consolidated returns.** Two types of permit holders have the option of filing a consolidated return. The first is a permit holder with multiple locations from which taxable sales are made, and the second is certain affiliated corporations.

**202.5(1) Permit holders with multiple locations.**

*a. Permit holder option.* A permit holder procuring more than one permit may file a separate return for each permit or, if a request to consolidate has been approved by the department pursuant to this rule, the permit holder may file one consolidated return reporting sales made at all locations for which a permit is held.

*b. Filing a consolidated return.*

(1) In order to file a complete consolidated sales tax return, the taxpayer must file a form entitled Schedule of Consolidated Business Locations with its sales and use tax return, and the schedule must include all of the following items:

1. The taxpayer’s consolidated permit number;
2. The permit number for each Iowa location;
3. The amount of state sales tax by business location; and
4. The amount of state sales tax due on goods consumed that are not assigned to a specific business location.

(2) Failure by the taxpayer to file a Schedule of Consolidated Business Locations form with its sales and use tax return will result in the consideration of the return as incomplete, and the taxpayer will be subject to the penalty provisions set forth in Iowa Code section 421.27.

**202.5(2) Affiliated corporations.**

*a. Application by affiliate group.* Any group consisting of a parent and its affiliates, which is entitled to file a consolidated return for federal income tax purposes and which makes retail sales of tangible personal property, specified digital products, or taxable services, may make application to the director for permission to file a consolidated Iowa sales tax return. The application shall be in writing and shall be signed by an officer of the parent corporation. It shall contain the business name, address, federal identification number, and Iowa sales tax identification number of every corporation seeking the right to file a consolidated return. The application shall state the initial tax period for which the right to file a consolidated return is sought and shall be filed no later than 90 days prior to the beginning of that period. The application shall also contain any additional relevant information that the director may, in individual instances, require.

*b. Joint and several liability.* A parent corporation and each affiliate corporation that file a consolidated return are jointly and severally liable for all tax, penalty, and interest found due for the tax period for which a consolidated return is filed or required to be filed.

**202.5(3) Requirements common to returns filed under this rule.** The following provisions apply to permit holders filing consolidated returns pursuant to either subrule 202.5(1) or 202.5(2):

*a. Proper form.* Taxpayers shall file consolidated returns through GovConnectIowa.

*b. Working papers.* All working papers used in the preparation of the information required to complete the returns must be available for examination by the department.

*c. Offsetting collections among affiliates.* Undercollections of sales tax at one or more locations or by one or more affiliates may not be offset by overcollections at other locations or by other affiliates.

This rule is intended to implement Iowa Code section 423.31.

#### **701—202.6(423) Direct pay permits and negotiated rate agreements.**

**202.6(1) Direct pay permits in general.** Qualified purchasers, users, and consumers of tangible personal property, specified digital products, or taxable services pursuant to Iowa Code chapter 423 may remit tax owed directly to the department instead of having the tax collected and remitted by the seller. A qualified purchaser, user, or consumer may not be granted or exercise this direct pay option except upon proper application to the department and only after issuance of the direct pay permit by the director of the department or personnel authorized by the director.

*a. Qualifications for a direct pay permit.* To qualify for a direct pay permit, all of the following criteria must be met:

(1) The applicant must be a purchaser, user, or consumer of tangible personal property, specified digital products, or taxable services.

(2) The applicant must have an accrual of sales and use tax liability on consumed goods of more than \$8,000 in a month. A purchaser, user, or consumer may have more than one business location and can combine the sales and use tax liabilities on consumed goods of all locations to meet the requirement of \$8,000 in sales and use tax liability in a month to qualify if the records are located in a centralized location. If a purchaser, user, or consumer is combining more than one location, only one direct pay tax return for all of the combined locations needs to be filed with the department. However, local option sales tax should not be included in the tax base for determining qualification for a direct pay permit. If a purchaser, user, or consumer has more than one location, but not all locations wish to remit under a direct pay permit, the purchaser, user, or consumer must indicate which locations will be utilizing the direct pay permit at the time of application.

(3) The applicant must remit tax and file returns pursuant to Iowa Code section 423.36. Paragraph 202.6(1) “d” contains further details.

*b. Nonqualifying purchases or uses.* The granting of a direct pay permit is not allowed for any of the following:

(1) Taxes imposed on the sale, furnishing, or service of gas, electricity, water, heat, pay television service, or communication service.

(2) Taxes imposed under Iowa Code chapter 423C (automobile rental excise tax), Iowa Code section 423.26 (use tax on vehicles subject only to issuance of title), or Iowa Code section 423.26A (use tax on manufactured housing).

*c. Application and permit information.* To obtain a direct pay permit, a purchaser, user, or consumer must properly complete an application form prescribed by the director and provide certification that the purchaser, user, or consumer has paid sales and use tax to the department or vendors over the last two years prior to application, an average of \$8,000 in a month. Upon approval, the director or personnel authorized by the director will issue a direct pay permit to qualifying applicants. The permit will contain direct pay permit identifying information including a direct pay permit identification number. The direct pay permit should be retained by the permit holder. When purchasing from a vendor, a permit holder should give the vendor a certificate of exemption containing the information as set forth in rule 701—15.3(423).

*d. Remittance and reporting.* Direct pay permit holders shall remit and report sales, use, and local option sales tax on a monthly basis. Remittance of tax due under a direct pay permit will begin with the first month after the direct pay permit is issued to the holder. The tax to be paid under a direct pay permit shall be remitted directly to the department by electronic funds transfer (EFT) only. A permit holder need not have remitted by EFT prior to obtaining a direct pay permit to qualify for such a permit. However, a permit holder must remit taxes due by EFT for transactions entered into on or after the date the permit is issued. All local option sales tax due must be reported and remitted at the same time as the sales and use taxes due under the direct pay permit for the corresponding tax period. However, local option sales tax should not be included in the tax base for determining qualification for a direct pay permit or frequency of remittance. Reports should be filed with the department on a monthly basis. The director may, when necessary and advisable in order to secure the collection of tax due, require an applicant for a direct pay permit or a permit holder to file with the director a qualified surety bond as set forth in Iowa Code section 423.35. A permit holder who fails to report or remit any tax when due is subject to the penalty and interest provisions set forth in Iowa Code section 421.27.

*e. Permit revocation and nontransferability.* A direct pay permit may be used indefinitely unless it is revoked by the department. A direct pay permit is not transferable and may not be assigned to a third party. The department may revoke a direct pay permit at any time the permit holder fails to meet the requirements for a direct pay permit, misuses the direct pay permit, or fails to comply with the provisions in Iowa Code section 423.36(9). If a direct pay permit is revoked, it is the responsibility of the prior holder of the permit to inform all vendors of the revocation so the vendors may begin to collect tax at the time of purchase. A prior permit holder is responsible for any tax, penalty, and interest due for failure to notify a vendor of revocation of a direct pay permit.

*f. Record-keeping requirements.* The parties involved in transactions involving a direct pay permit shall have the following record-keeping duties:

(1) Permit holder. The holder of a direct pay permit must retain possession of the direct pay permit. The permit holder must keep a record of all transactions made pursuant to the direct pay permit in compliance with rule 701—11.4(423).

(2) Vendor. A vendor must retain a valid exemption certificate under rule 701—15.3(423) that is received from the direct pay permit holder and retain records of all transactions engaged in with the permit holder in which tax was not collected, in compliance with rule 701—11.4(423). A vendor's liability for uncollected tax is governed by the liability provisions of a seller under an exemption certificate set forth in rule 701—15.3(423).

**202.6(2) Negotiated rate agreements.**

*a. In general.* Any person who has been issued or who has applied for a direct pay permit may request the department to enter into a negotiated rate agreement with the permit holder or applicant. These agreements are negotiated on a case-by-case basis and, if approved by the department, allow a direct pay permit holder to pay the state sales, local option sales, or use tax on a basis calculated by agreement between the direct pay permit holder and the department. Negotiated rate agreements are not applicable to sales and use taxes set out in paragraph 202.6(1) "b," and no negotiated rate agreement is effective for any period during which a taxpayer who is a signatory to the agreement is not a direct pay permit holder.

*b. Required information.* All negotiated rate agreements shall contain the following information or an explanation for its omission:

- (1) The name of the taxpayer who has entered into the agreement with the department.
- (2) The name and title of each person signing the agreement and the name, telephone or fax number, and email or physical address of at least one person to be contacted if questions regarding the agreement arise.
- (3) The period during which the agreement is in effect, the renewal or extension rights (if any) of each party, and the effective date of the agreement.
- (4) The negotiated rate or rates, the classes of sales or uses to which each separate rate is applicable, any items that will be excluded from the agreement, and any circumstances that will result in a changed rate or rates or changed composition of classes to which rates are applicable.
- (5) Actions or circumstances that render the agreement void, or voidable at the option of either party, and the time frame in which the agreement will be voided.
- (6) Rights, if any, of the parties to resort to mediation or arbitration.
- (7) An explanation of the department's right to audit aspects of the agreement, including any right to audit remaining after the agreement's termination.
- (8) The conditions by which the agreement may be terminated and the effective date of the termination.
- (9) The methodology used to determine the negotiated rate and any schedules needed to verify percentages.
- (10) Any other matter deemed necessary to the parties' mutual understanding of the agreement.

This rule is intended to implement Iowa Code section 423.36.

**701—202.7(423) Regular permit holders responsible for collection of tax.** A permit holder may operate by selling merchandise by trucks, canvassers, or itinerant salespeople over fixed routes within the county in which the permanent place of business is located or other counties in this state. When this occurs, the permit holder is liable for reporting and paying tax on these sales. The person doing the selling for the permit holder shall be required to have a form, either in possession or in the vehicle, which authorizes that person to collect tax. This form is obtained from the department and shall contain the name, address, and permit number of the retailer according to the records of the department.

This rule is intended to implement Iowa Code sections 423.14 and 423.36.

**701—202.8(423) Sale of business.**

**202.8(1) *Final return due.*** A retailer selling the business shall file a return within the succeeding month and pay all tax due. Any unpaid tax shall be due prior to the transfer of title of any personal property to the purchaser, and the tax becomes delinquent one month after the sale.

**202.8(2) *Record retention.*** A retailer discontinuing business shall maintain the business's records for a period of five years from the date of discontinuing the business unless a release from this provision is given by the department. 701—subrule 18.28(2) provides for possible sales and use tax consequences relating to the sale of a business.

This rule is intended to implement Iowa Code section 423.33.

**701—202.9(423) Bankruptcy, insolvency, or assignment for benefit of creditors.** In cases of bankruptcy, insolvency or assignment for the benefit of creditors by the taxpayer, the taxpayer shall immediately file a return with the tax being due.

This rule is intended to implement Iowa Code section 423.31.

**701—202.10(423) Vending machines and other coin-operated devices.** An operator who places machines on location shall file a return that includes the sales price from sales from all machines or devices operated by the retailer in Iowa during the tax period covered by the return. The mandatory beverage container deposit required under the provisions of Iowa Code chapter 455C shall not be considered part of the sales price.

This rule is intended to implement Iowa Code sections 423.1 and 423.2.

**701—202.11(423) Claim for refund of tax.**

**202.11(1) *Eligibility for refund; filing claims.*** Refunds of tax shall be made only to those who have actually paid the tax. A person or persons may designate the retailer who collects the tax as an agent for purposes of receiving a refund of tax. A person or persons who claim a refund shall prepare the claim on Form IA 843, Refund Return. A claim for refund shall be filed with the department, stating in detail the reasons and facts and, if necessary, supporting documents for which the claim for refund is based.

**202.11(2) *Denial of refund claim—appeal.*** If the claim for refund is denied, and the person wishes to appeal the denial, the department will consider an appeal to be timely if filed no later than 60 days following the date of denial. Rule 701—7.9(17A) contains more information on appeals.

**202.11(3) *Request for abeyance.*** When a person is in a position of believing that the tax, penalty, or interest paid or to be paid will be found not to be due at some later date, then in order to prevent the statute of limitations from running out, a claim for refund or credit must be filed with the department within the statutory period provided for in Iowa Code section 423.47. The claim must be filed requesting that it be held in abeyance pending the outcome of any action that will have a direct effect on the tax, penalty, or interest involved. Nonexclusive examples of such action would be court decisions, departmental orders and rulings, and commerce commission decisions.

EXAMPLE A: X, an Iowa sales tax permit holder, is audited by the department for the period July 1, 2014, to June 30, 2017. A \$10,000 tax, penalty, and interest liability is assessed on materials the department determines are not used in processing. X does not agree with the department's position but still pays the full liability even though X is aware of pending litigation involving the materials taxed in the audit.

Y is audited for the same period involving identical materials used to those taxed in the audit of X. However, Y, rather than paying the assessment, takes the department through litigation and wins. The final litigation is not completed until September 30, 2023.

X, on October 1, 2023, upon finding out about the decision of Y's case, files a claim for refund relating to its audit completed in June 2017. The claim will be totally denied as beyond the three-year statute of limitations. However, if X had filed a claim along with payment of its audit in June 2017, and requested that the claim be held in abeyance pending Y's litigation, then X would have received a full refund of its audit liability if the decision in Y's case was also applicable to X.

EXAMPLE B: X is audited by the department for the period July 1, 2015, to June 30, 2018, and assessed July 31, 2018. X pays the assessment on December 31, 2018. No protest was filed, and no claim for refund or credit was filed requesting it be held in abeyance. On January 31, 2020, X files a claim for refund relating to the entire audit. The claim is based on a recent court decision which makes the tax liability paid by X now refundable. However, only the tax paid from January 1, 2017, through June 30, 2018, will be allowed since this is the only portion within the three-year statute of limitations set forth in Iowa Code section 423.47. If the claim had been filed on or before December 31, 2019, then the entire audit period could have been considered for refund since the claim would have been filed within one year of payment.

**202.11(4) *Refund of use tax.*** A taxpayer cannot use Form IA 843, Refund Return, to claim a refund of use tax. A taxpayer must file an amended return to claim a refund of use tax.

This rule is intended to implement Iowa Code sections 423.45 and 423.47.

**701—202.12(423) Immediate successor liability for unpaid tax.** A retailer ceasing to do business is obligated to prepare a final return and pay all tax due within the time required by law. If a retailer ceasing to do business fails to prepare such final return and pay all tax due within the time required by law, any immediate successor to the retailer who purchases the business or stock of goods is obligated to withhold from the purchase price enough of the purchase price to pay the tax, interest, or penalty that the retailer owes. Any immediate successor who intentionally fails to withhold a sufficient portion of the purchase price to pay the delinquent tax, interest, or penalty is personally liable for the payment of the delinquent tax, interest, or penalty. However, if the immediate successor's purchase of the business or stock of goods was made in good faith that the retailer owed no tax, interest, or penalty, then the department may waive the immediate successor's liability. For the purpose of this rule, "retailer" includes all persons liable for tax under Iowa Code sections 421.26 and 423.33.

**202.12(1) *Immediate successors having a duty to withhold.***

a. Only an immediate successor who, pursuant to a contract of sale, pays a purchase price to a retailer in return for the transfer of a going business or a stock of goods is obligated to inquire if tax, penalty, or interest are due and to withhold a portion of the purchase price if necessary. Persons who fail some aspect of this test are not obligated to investigate or withhold. Nonexclusive examples of persons not so obligated are as follows:

- (1) A person foreclosing on a valid security interest.
- (2) A person retaking possession of premises under a valid lease.
- (3) A spouse electing to take against a will.
- (4) A person taking by gift.
- (5) Any other person taking for what would legally be considered “value” but without the payment of a recognizable “purchase price.”

b. Included within the meaning of the phrase “immediate successor” is a corporation resulting from the action of a sole proprietor who incorporates a business in which the sole proprietor is the only or the controlling shareholder, or a sole proprietorship established from a corporation of which the sole proprietor was the exclusive, majority, or controlling stockholder.

**202.12(2) *More than one immediate successor.*** If a retailer sells a business or stock of goods to two or more persons, the following requirements apply:

a. *Sale of stock of goods to two or more persons.* If a retailer sells a substantial portion of the retail business’s stock of goods to another person who will in turn offer those goods for sale in a retail business, that person is an immediate successor and personally liable for payment of tax to the extent of tax, interest, or penalty owed or the amount of the individual purchase price, whichever is the lesser.

EXAMPLE: A sells the stock of goods from a furniture business, in unequal portions, to B, C, and D. B pays a \$5,000 purchase price for a portion of the stock of goods, C pays a \$20,000 purchase price for a portion of the stock of goods, and D pays a \$30,000 purchase price for the remainder of A’s stock of goods. A, at the time of the transfers, owes the department of revenue \$10,000 in sales tax, interest, and penalty. Neither B, C, nor D withholds any amount for payment of tax from the purchase price. B, C, and D individually and together are liable for payment of the tax. Each is personally liable up to the amount of the purchase price that each has paid or the amount of tax, interest, and penalty owing, whichever is the lesser. In this example, B is liable for \$5,000, the lesser amount of B’s purchase price (\$5,000) and the amount of tax that A owes (\$10,000); C is liable for \$10,000, since the purchase price and tax owed are equal; and D is liable for \$10,000, the lesser amount of tax owed (\$10,000) and D’s purchase price (\$30,000). The department may at its discretion proceed against any one, two, or all three of the immediate successors up to the amount of tax that each owes.

b. *Purchase of differing places of business.* If one person owns two or more places of business, each having a separate sales tax permit, each location having its own permit is a separate business and has a separate stock of goods for the purpose of determining successor liability. A person purchasing the business at one location or the stock of goods from one location would be personally liable only for the tax owed under the permit assigned to that location.

**202.12(3) *“Sale of a retailer’s business” characterized.*** Usually, the sale of only the machinery or equipment used in a business without the sale or leasing of the realty of the business is not a sale of the business itself. The transfer of a retailer’s machinery or equipment and business realty to a person who continues to use the machinery, equipment, and realty for the sale of any type of tangible personal property or specified digital products constitutes the selling of the retailer’s business, and the person to whom the business is sold is an immediate successor and liable for tax.

EXAMPLE: A is a furniture dealer. The furniture business falls on hard times. A sells the stock of goods (the furniture offered for sale) to B. A then sells the furniture store (business realty) to C. A also sells C the office equipment and all other tangible personal property and specified digital products used in the operation of the furniture store except for the stock of goods (furniture). C then uses the purchased store and the office equipment in the operation of a sporting goods store. B takes the furniture purchased from A to B’s furniture store where it is sold. A owed the department \$7,000 in sales tax. Both B and C are immediate successors to A and personally liable for the sales tax.

**202.12(4)** *“Good faith” characterized.* An immediate successor to a licensee’s, retailer’s, or seller’s business or stock of goods has purchased the licensee’s, retailer’s, or seller’s business or stock of goods in good faith that no delinquent tax, interest, or penalty was due and unpaid if the immediate successor demonstrates, by suitable evidence, that one of the following situations exists. The list of situations is exclusive:

*a.* The department has provided the immediate successor with a certified statement that no delinquent tax, interest, or penalty is unpaid. Immediate successors shall not rely upon oral statements from department personnel that no tax, interest, or penalty is unpaid. An immediate successor may request a certified statement from the department on forms provided by the department.

(1) Prior to issuing a certified statement, the department may contact both the immediate successor and the licensee, retailer, or seller regarding the request for a certified statement from the department.

(2) A certified statement provided by the department will be recognized by the department as valid as of the issuance of the statement.

*b.* The immediate successor has taken in good faith a certified statement from the licensee, retailer, or seller that no delinquent tax, interest, or penalty is unpaid as of the date of purchase.

(1) A “certified statement” from a licensee, retailer, or seller is a statement the truth of which is attested to before a notary public. A certified statement from a licensee, retailer, or seller will not be recognized by the department as valid unless it includes all of the following:

1. The name of the business being purchased or a description of the stock of goods being purchased.

2. The names of the licensee, retailer, or seller and the prospective purchaser(s).

3. The tax identification numbers of both the licensee, retailer, or seller and prospective purchaser(s). Entities shall include a federal employer identification number (FEIN). Individuals shall include a social security number (SSN) or individual tax identification number (ITIN).

4. An attestation signed by the licensee, retailer, or seller attesting that no delinquent tax, interest, or penalty of the retailer is unpaid as of the date of the closing of the sale.

(2) A certified statement has been taken from a licensee, retailer, or seller “in good faith” if the immediate successor, in the exercise of due diligence, had no reason to believe a retailer’s statement was false or no reason to question the truth of the retailer’s statement.

This rule is intended to implement Iowa Code sections 421.28 and 423.33.

**701—202.13(423) Officers and partners—personal liability for unpaid tax.** If a retailer or purchaser fails to pay sales tax when due, any officer of a corporation or association, or any partner of a partnership, who has control of, supervision of, or the authority for remitting the sales tax payments and has a substantial legal or equitable interest in the ownership of the corporation or partnership is personally liable for payment of the tax, interest, and penalty if the failure to pay the tax is intentional. This personal liability is not applicable to sales tax due and unpaid on accounts receivable. The dissolution of a corporation, association, or partnership does not discharge a responsible person’s liability for failure to pay tax.

**202.13(1)** *Personal liability—how determined.* There are various criteria which can be used to determine which officers of a corporation have control of, supervision of, or the authority for remitting tax payments. Some criteria are:

*a.* The duties of officers as outlined in the corporate bylaws.

*b.* The duties that various officers have assumed in practice.

*c.* Which officers are empowered to sign checks for the corporation.

*d.* Which officers hire and fire employees.

*e.* Which officers control the financial affairs of the corporation.

(1) An officer in control of the financial affairs of a corporation may be characterized as one who has final control as to which of the corporation’s bills should or should not be paid and when bills that had been selected for payment will be paid.

(2) “Final control” means a significant control over which bills should or should not be paid, rather than exclusive control.



(3) The observations in paragraph 202.13(1)“e” are applicable to partnerships as well as corporations.

**202.13(2)** *“Accounts receivable” described.* Officers and partners are not responsible for sales tax due and owing on accounts receivable. An “account receivable” is a contractual obligation owing upon an open account. An open account is one that is neither finally settled nor finally closed but is still running and “open” to future payments or the assumption of future additional liabilities. The ordinary consumer installment contract is not an “account receivable.” The amount due has been finally settled and is not open to future adjustment. The usual consumer installment contract is a “note receivable” rather than an account receivable. An account receivable purchased by a factor or paid by a credit card company is, as of the date of purchase or payment, not an account receivable. An officer or partner will be liable for the value of the account receivable purchased or paid. Officers and partners have the burden of proving that tax is not due because it is a tax on an account receivable.

**202.13(3)** *Beginning date of personal liability.* Officers and partners are not personally liable for state sales tax due and unpaid prior to March 13, 1986. They are liable for state or local sales taxes that are both due and unpaid on and after that date.

This rule is intended to implement Iowa Code section 421.26.

**701—202.14(423) Sales tax or use tax paid to another state.**

**202.14(1)** *Equal or greater tax paid to another state.* When a person has already paid to any other state of the United States a state sales, use, or occupational tax on specifically identified tangible personal property or taxable services on its sale or use, prior to bringing the property into Iowa, and the tax is equal to or greater than the current rate of tax imposed by the Iowa use tax law, no additional use tax shall be due the state of Iowa by such person.

**202.14(2)** *Less tax paid to another state.* If the amount of tax already paid by such person to any other state of the United States on specifically identified tangible personal property or taxable services prior to bringing the property into Iowa is less than the current rate of tax imposed by Iowa law, use tax shall be due the state of Iowa on the difference in tax paid to the foreign state and the tax due under the Iowa law.

**202.14(3)** *Claiming exemption for tax paid.* When a person claims exemption from payment of use tax on the grounds that the tax has already been paid to any other state of the United States with respect to the sale or use of the property or service in question prior to bringing the property into Iowa, the burden of proof is upon that person to show the department, county treasurer, or motor vehicle division of the Iowa department of transportation, by document, that the tax has been paid.

**202.14(4)** *Credit not allowed against Iowa tax.* Credits shall not be allowed for sales, use, or occupational tax already paid in any state of the United States against the Iowa use tax relating to the acquisition cost of property being brought into this state when such tax already paid was paid on the sales price of lease or rental payments of tangible personal property used in another state.

This rule is intended to implement Iowa Code section 423.25.

**701—202.15(423) Registered retailers selling tangible personal property on a conditional sale contract basis.** A retailer shall report and remit to the department the full amount of tax computed on the full sale price on the return for the tax period during which the sale was made.

This rule is intended to implement Iowa Code sections 423.1 and 423.2.

**701—202.16(423) Registered vendors repossessing goods sold on a conditional sale contract basis.** A registered retailer repossessing tangible personal property that has been sold on a conditional sale contract basis and remitting use tax to the department on the full purchase price may take a deduction on the retailer’s sales and use tax return for the tax period in which the goods were repossessed, in an amount equal to the credit allowed to the purchaser for the goods returned, if the retailer has returned use tax to the purchaser on the unpaid balance.

This rule is intended to implement Iowa Code sections 423.1 and 423.2.

ITEM 18. Amend subrule 215.6(3) as follows:

**215.6(3) Permit registration.** If a remote seller or marketplace facilitator without physical presence in Iowa that makes taxable sales exceeds the sales threshold, the remote seller or marketplace facilitator without physical presence in Iowa must register for a sales and use tax permit under ~~701—Chapter 13~~ 701—Chapter 201 prior to the date the remote seller or marketplace facilitator without physical presence in Iowa is obligated to collect Iowa sales tax and applicable local option sales tax as described in subrule 215.6(1).

ITEM 19. Amend rule 701—215.7(423) as follows:

**701—215.7(423) Retailers registered and collecting who fail to meet or exceed sales threshold.** If a retailer is registered to collect Iowa sales tax and applicable local option sales tax and collects in year 1 and fails to meet or exceed the sales threshold in year 2, the retailer must still collect all applicable sales taxes in year 2. If the retailer does not meet or exceed the sales threshold at any point in year 2, the retailer is not required to collect and remit Iowa sales tax or applicable local option sales tax in year 3. However, if a retailer is registered to collect, the retailer must continue collecting regardless of the impact of the sales threshold. A retailer that falls under the sales threshold may either submit sales tax returns demonstrating it did not collect tax until a time in the future when the retailer meets or exceeds the sales threshold or cancel its sales tax permit if it wishes to cease collecting. If the retailer meets or exceeds the sales threshold at any point thereafter, the retailer would need to register again in accordance with ~~701—Chapter 13~~ 701—Chapter 201 and begin collecting in accordance with this chapter.

EXAMPLE: Company S, a remote seller, exceeds the sales threshold on June 25, 2019. S must collect Iowa sales tax and applicable local option sales tax beginning August 1, 2019, and must collect for all of 2020. S does not meet or exceed the sales threshold in 2020. S is not obligated to collect sales tax on January 1, 2021. S may cease collection and cancel its sales tax permit effective January 1, 2021.

ITEM 20. Amend rule 701—215.13(423) as follows:

**701—215.13(423) Filing returns; payment of tax; penalty and interest; incorporation of ~~701—Chapter 12~~ 701—Chapter 202.** Except as otherwise stated in this chapter, the filing requirements of ~~701—Chapter 12~~ 701—Chapter 202 shall apply to all retailers, including remote sellers and marketplace facilitators, required to collect and remit sales tax under this chapter.

ITEM 21. Amend rule 701—215.14(423) as follows:

**701—215.14(423) Permits; incorporation of ~~701—Chapter 13~~ 701—Chapter 201.** Except as otherwise stated in this chapter, the permit requirements of ~~701—Chapter 13~~ 701—Chapter 201 shall apply to all retailers, including remote sellers and marketplace facilitators, required to collect and remit Iowa sales tax and applicable local option sales tax under this chapter.

ITEM 22. Adopt the following new 701—Chapter 258:

#### CHAPTER 258

#### REFUNDS FOR ELIGIBLE BUSINESSES UNDER ECONOMIC DEVELOPMENT AUTHORITY PROGRAMS

**701—258.1(15) Sales and use tax refund for eligible businesses.** For eligible businesses approved under the high quality jobs program, enterprise zone program, housing enterprise zone program, or workforce housing tax incentives program by the economic development authority, a refund of sales and use tax is available.

**258.1(1) Sales and use tax eligible for refund.** The sales and use tax for which the eligible business can receive a refund consists of the following:

a. Sales and use tax paid for gas, electricity, water, or sewer utility services; for tangible personal property; or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility of the eligible business.

b. If the eligible business is involved in a warehouse or a distribution center, sales and use tax attributable to racks, shelving and conveyor equipment.

**258.1(2) Sales and use tax ineligible for refund.** The sales and use tax for which the eligible business cannot receive a refund consists of the following:

a. Any local option sales tax paid is not eligible for the refund. The refund is limited to the state sales and use tax paid.

b. Any sales and use tax attributable to intangible property, furniture, or furnishings is not eligible for the refund. “Furnishings” means any furniture, appliances, equipment, and accessories that are movable and with which a room or building is furnished for comfort, convenience, or aesthetic value. Examples include rugs, décor, and window coverings. “Furnishings” does not include installed flooring such as hardwood, carpet, ceramic, stone, laminate, or vinyl.

**258.1(3) Claiming the refund.** To receive the refund, the eligible business must file a claim for refund within one year of project completion. For a manufacturing facility, project completion is the first date upon which the average annualized production of finished project for the preceding 90-day period at the manufacturing facility is at least 50 percent of the initial design capacity of the facility. For purposes of the workforce housing tax incentives program, “project completion” means the same as defined in Iowa Code section 15.355(2). For all other facilities, project completion is the date of completion of all improvements necessary for the start-up, location, expansion or modernization of the business.

a. To request a refund of the sales and use tax paid for gas, electric, water or sewer utility services used during construction, the eligible business must file Form IA 843, Refund Return, with the department of revenue. The claim shall include the agreement number given by the Iowa economic development authority, along with copies of invoices or a schedule to support the refund amount.

b. To request a refund of the sales and use tax paid on tangible personal property, or on services rendered to, furnished to, or performed for a contractor or subcontractor relating to the construction or equipping of a facility, the eligible business must file the Construction Contract Claim for Refund form, along with the Iowa Contractor’s Statement, with the department of revenue. It is not necessary to attach invoices to the Construction Contract Claim for Refund form, but the department reserves the right to request invoices when reviewing the refund claim.

c. To request a refund of the sales and use tax attributable to racks, shelving and conveyor equipment, the eligible business must file Form IA 843, Refund Form, with the department of revenue. The claim shall include the agreement number given by the Iowa economic development authority, along with copies of invoices or a schedule to support the refund amount. The combined amount of refunds attributable to sales and use tax paid on racks, shelving and conveyor equipment, along with tax credit certificates issued for sales and use tax paid on racks, shelving and conveyor equipment provided in 701—subrule 52.10(5), shall not exceed \$500,000 during a fiscal year. The requests for refunds or tax credit certificates will be processed in the order the requests are received on a first-come, first-served basis until the amount of refunds or credits authorized for issuance has been exhausted. If applications for refunds or tax credit certificates exceed the \$500,000 limitation for any fiscal year, the applications shall be considered in succeeding fiscal years.

This rule is intended to implement Iowa Code chapter 15.

[Filed Emergency 6/16/22, effective 7/1/22]

[Published 7/13/22]

EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 7/13/22.